

# SUMMARY ANALYSIS OF AMENDED BILL

## Franchise Tax Board

Author: Polanco Analyst: Roger Lackey Bill Number: SB 2075

Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 8/19/98

Attorney: Doug Bramhall

Sponsor:

**SUBJECT:** Service Contract Businesses/Bank and Corporation Franchise Tax

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED/AMENDED \_\_\_\_\_ STILL APPLIES.

OTHER - See comments below.

### SUMMARY OF BILL

This bill would provide that beginning on or after January 1, 2000, the Insurance Code does not apply to service contracts offered by regulated utility companies, thus making taxpayers offering these contracts liable for income or franchise tax, rather than the gross premiums tax.

This bill makes various changes to the Business and Professions Code and the Insurance Code, but will be analyzed only as it impacts the income tax system.

### SUMMARY OF AMENDMENT

The August 19, 1998, amendment provided an operative date of on or after January 1, 2000, for the provision regarding the Insurance Code and service contracts offered by regulated utility companies. The amendment also placed a reporting requirement on the Department of Consumer Affairs and added an appropriation for the report, making the bill effective when signed.

The amendment also made additional changes to the Business and Professions Code and the Insurance Code that do not impact the department.

Upon reviewing the August 18, 1998, amendment an implementation consideration was identified. The implementation consideration is included below.

Except for the discussion above, the department's analysis of SB 2075 as amended July 9, 1998, still applies.

### Board Position:

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<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> X PENDING

Department/Legislative Director

Date

Johnnie Lou Rosas

8/31/98

Implementation Considerations

This bill would provide that the Insurance Code does not apply to certain service contracts, which would result in a small number of taxpayers paying the franchise tax rather than the gross premiums tax. This provision of the bill would become operative beginning on and after January 1, 2000. It is unclear which tax (the franchise tax or the gross premium tax) the taxpayer would pay if the taxpayer is a fiscal year filer and the end of its income year does not occur until after January 1, 2000.